

CLASSIFICATION TEST INFORMATION

Note: If Test 'A' or 'B' is 'YES' for any Category, circle 11-15 on LAS-1.

If asset is in last 25% of its economic life, only Tests 'A' & 'B' apply.

If asset is Category 01 (Land), only Tests 'A' and 'B' apply.

If asset is Category 04 (Part of Building), only Test 'C' applies.

Otherwise, ALL (A,B,C,D) Classification Tests are REQUIRED.

If ONE OR MORE CLASSIFICATION TESTS ARE POSITIVE, THE LEASE IS CAPITAL.

A - TITLE TRANSFER TEST:

Does Title Pass to Lessee? (YES or NO) _____

B - BARGAIN PURCHASE TEST:

Is there a Bargain Purchase Option? (YES or NO) _____

C - LEASE TERM TEST:

1. LEASE TERM (LT) = YEARS _____ MONTHS _____
2. ESTIMATED REMAINING ECONOMIC LIFE (EREL) = YEARS _____ MONTHS _____
3. PERCENTAGE 1 of 2 (LT / EREL x 100 = % Be Sure Terms Are Same) = _____%
4. IS 3 EQUAL TO OR GREATER THAN 75%? (YES or NO) _____

D - ASSET INFORMATION & 90% PAYMENT TEST:

*** (Test Completed at DOA) ***

Note: Provide all data, if applicable and available. *Asterisk = Required Data

If Renewal, adjust from the original to the current Fair Market Value.

- IS THERE A BARGAIN RENEWAL OPTION: (YES or NO) _____
If YES, Amount: _____ and Date: _____
- PENALTY AMOUNT: (If Any) = _____ or CIRCLE: NO PENALTY
- REASON FOR PENALTY: ____ EARLY TERMINATION ____ FAILURE TO REVIEW ____ OTHER
Explain Other: _____
- INCREMENT BORROWING RATE: (Prime Rate at Add/Renew Date) = _____ . _____%
- CURRENT FAIR MARKET VALUE: (Best Estimate Required) = _____
- ESTIMATED SALVAGE VALUE: = _____
- GUARANTEED RESIDUAL VALUE: (If Any) = _____
- UNGUARANTEED RESIDUAL VALUE: = _____
- ESTIMATED ECONOMIC LIFE (Years/Months): TOTAL = ____/____ REMAINING = ____/____
- ASSET AMORIZATION LIFE = YEARS: _____ MONTHS: _____
- AMORIZATION DATES: START = - END = -
OR CHECK: ____ N/A (MM) (YYYY) (MM) (YYYY)

Note: If title passes or if bargain purchase option, asset should be amortized (depreciated) over its remaining economic life. If it does not pass either of the above tests, but is a capital lease, then the asset should be amortized over the term of the lease.

RESULTS OF CLASSIFICATION TESTS: _____ CAPITAL LEASE _____ OPERATING LEASE